

Summary

The downward trend in California retail regular-grade gasoline prices since mid-October saw a reverse in course in the New Year and has since continued. As of February 18, the average California retail price for regular-grade gasoline reached \$4.15, an increase of 53 cents over the past month. Retail diesel prices increased as well, weighing in at \$4.36 per gallon.

California spot wholesale gasoline prices were \$3.45 on February 15, an increase of 55 cents from a month ago and 40 cents higher than a year ago. Wholesale diesel prices rose by 23 cents over the month to \$3.29, up 11 cents from a year ago.

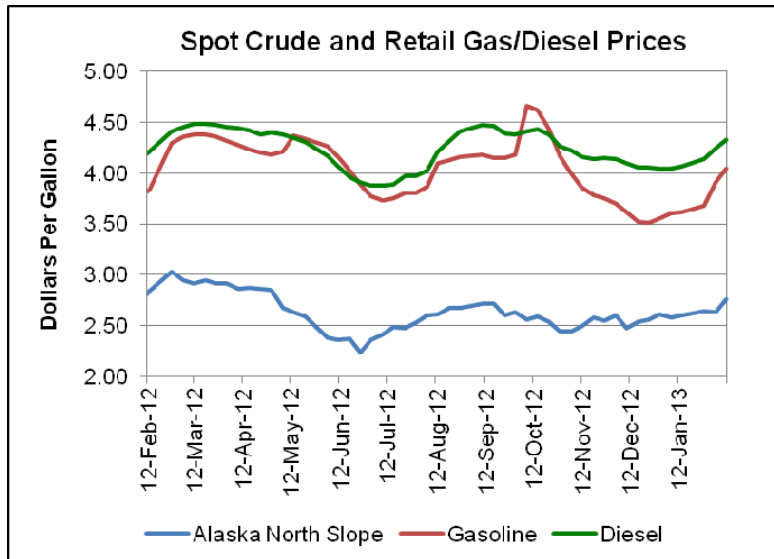
California-compliant gasoline production and inventories decreased by 6.5 percent and 1.9 percent in the past week, respectively. California-compliant diesel production and inventories decreased by 0.1 percent and 9.2 percent in the past week, respectively. Planned refinery maintenance has contributed to a decrease in production over the past month.

United States crude oil prices have risen over the past month along with other international benchmark oil prices. The price of Brent crude oil has increased to \$118.29 per barrel, while the price of West Texas Intermediate (WTI) has increased to \$97.01 per barrel. As of February 11, the Alaska North Slope (ANS) crude oil price rose to \$115.78, \$7.17 more than a month ago.

Comparisons of Diesel, Gasoline, and Crude Oil Price Changes

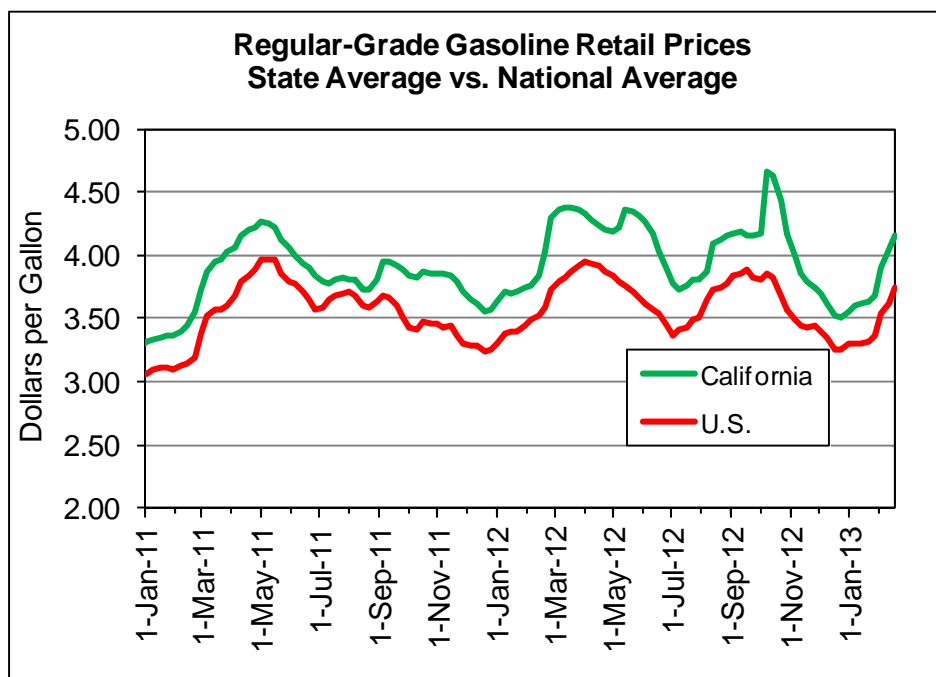
Gasoline, diesel, and ANS prices have all risen substantially. Gasoline prices rose particularly sharply in response to refinery outages. As of February 11, ANS prices were \$2.76 per gallon, gasoline prices were \$4.04 per gallon, and diesel prices were \$4.33 per gallon.

Gasoline, ANS, and diesel prices are 43 cents, 15 cents, and 27 cents per gallon higher, respectively, compared to January's *Petroleum Watch*.

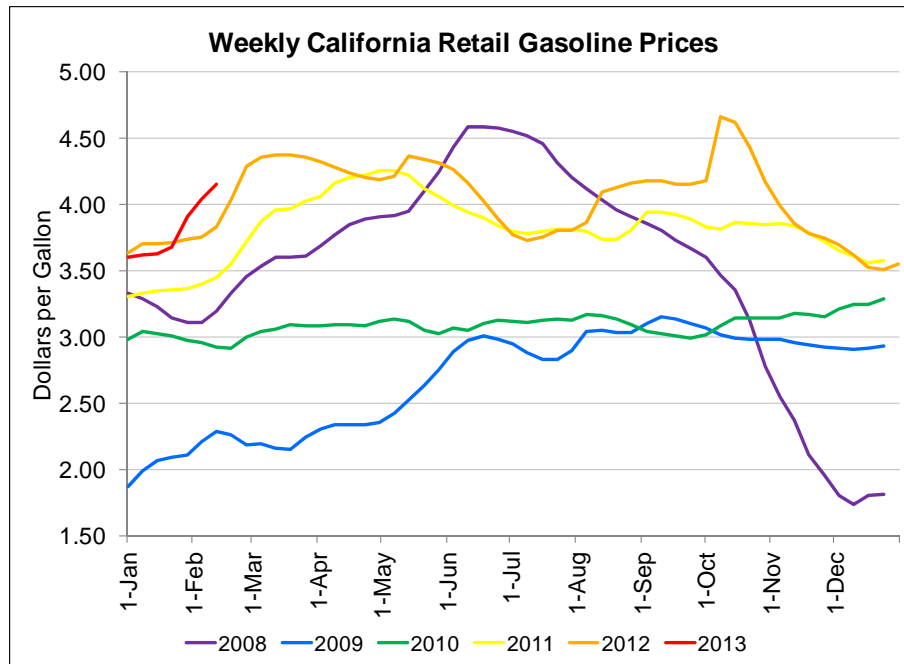


Retail Prices

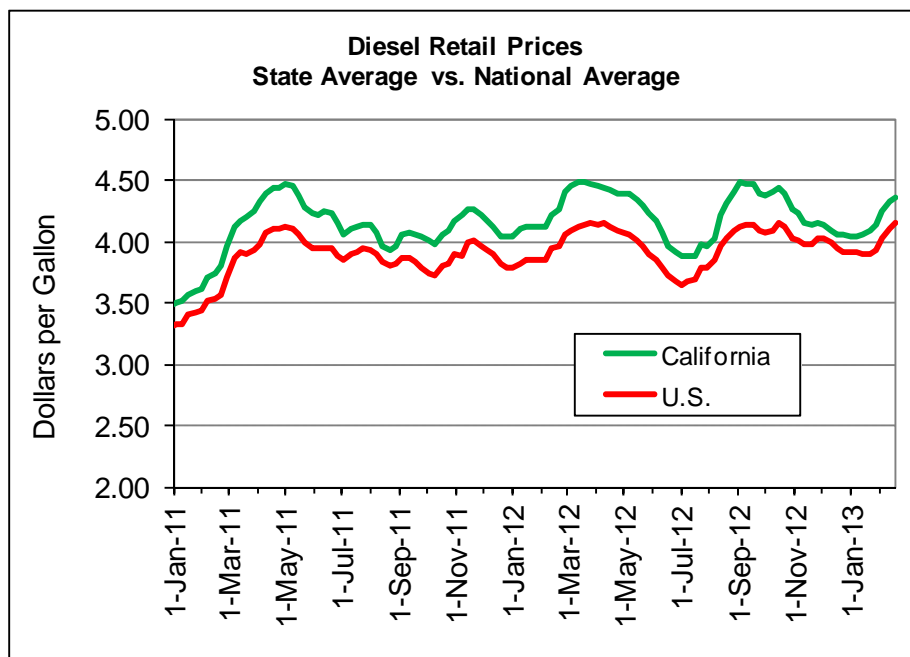
The average California **retail price for regular-grade gasoline** increased 53 cents over the past month, rising to \$4.15 per gallon. In addition, average U.S. retail gasoline prices increased 45 cents from a month ago to \$3.75. Average U.S. gasoline prices are 37 cents higher than a year ago. The difference between California and U.S. retail gasoline prices increased from 31 cents to 40 cents over the past month. Both California and U.S. retail prices have followed wholesale prices upward, but have not risen as much. Although California and U.S. prices have increased sharply over the past month, they did so in February of 2011 and 2012 as well.



California retail gasoline prices have risen above the all-time seasonal high established last year.

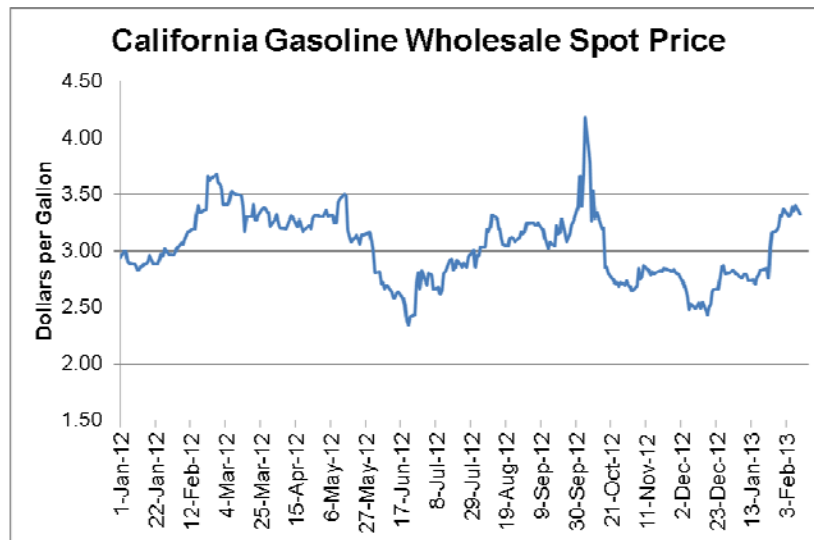


The average California **retail diesel price** rose 30 cents over the past month to \$4.36 per gallon. The average U.S. retail diesel price rose 26 cents over the past month to \$4.16 per gallon. As a result, the premium for California diesel over U.S. diesel prices increased from 17 cents to 20 cents over the past month. California diesel prices are 10 cents higher than they were a year ago, while U.S. diesel prices are 20 cents higher than a year ago. Diesel prices continue to move more moderately than gasoline prices.



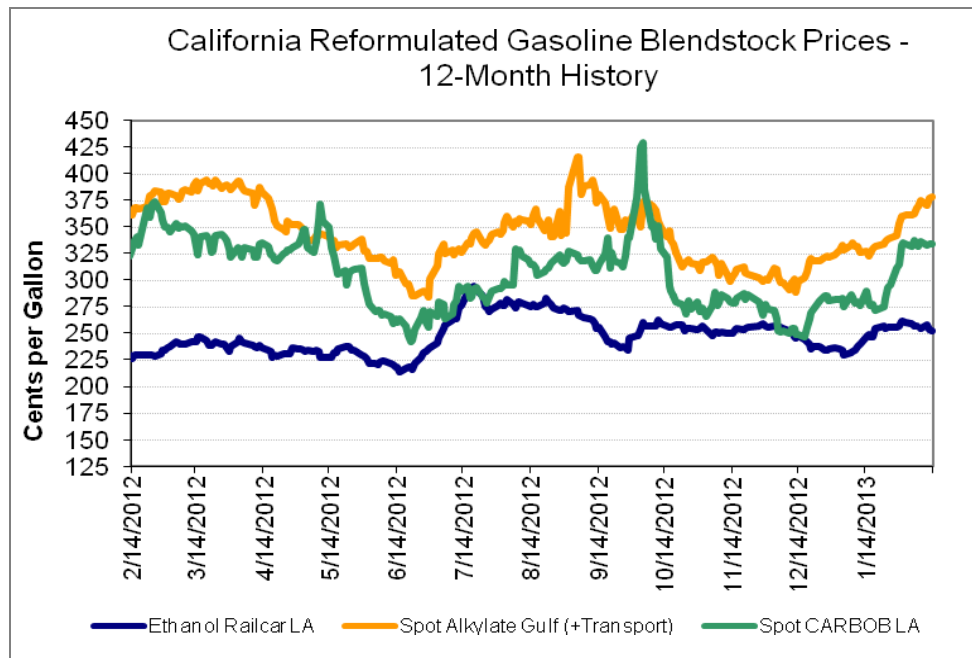
Wholesale Gasoline and Blendstock Prices on February 15, 2013

Longer than expected refinery turnarounds, the pending transition to summer blend, relatively high crude oil prices and a national increase in wholesale gasoline prices all descended upon the wholesale price in California with unsurprising results, compounding the gains seen late last month. California spot wholesale gasoline prices for regular-grade reformulated blendstock for oxygenate blending (RBOB) have shot up 55 cents in the past month to \$3.45 on February 13. Prices are up more than 70 cents since the New Year and 40 cents over this time last year. Prices in New York are similarly up 42 cents over the month, a 19-cent increase over the year.

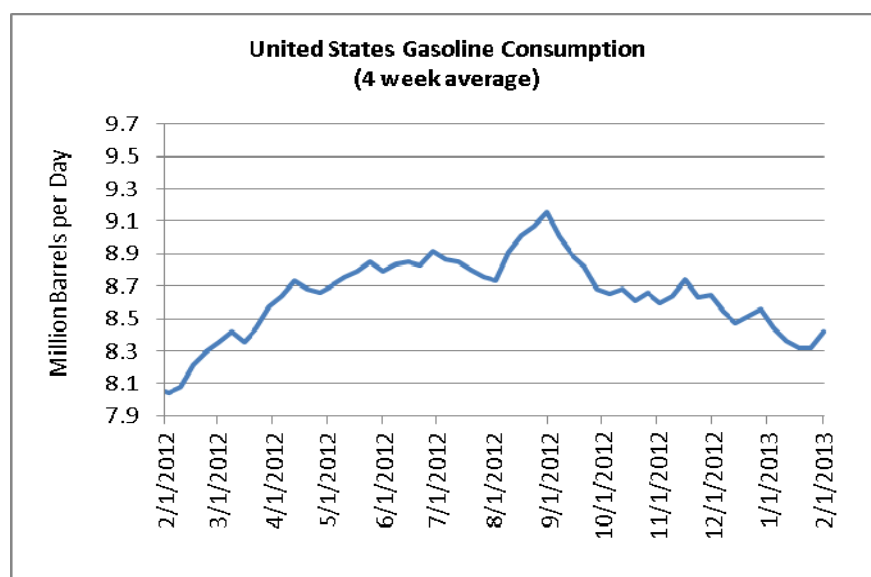


While wholesale diesel in California is not subject to a summer blend, other factors still contributed to a somewhat smaller price increase. Wholesale diesel rose 23 cents in the past month to \$3.31. Los Angeles spot prices are up more than a dime compared to this time last year. Prices in New York tell a similar tale, up 22 cents over the month to \$3.29, a 7 cent annual increase.

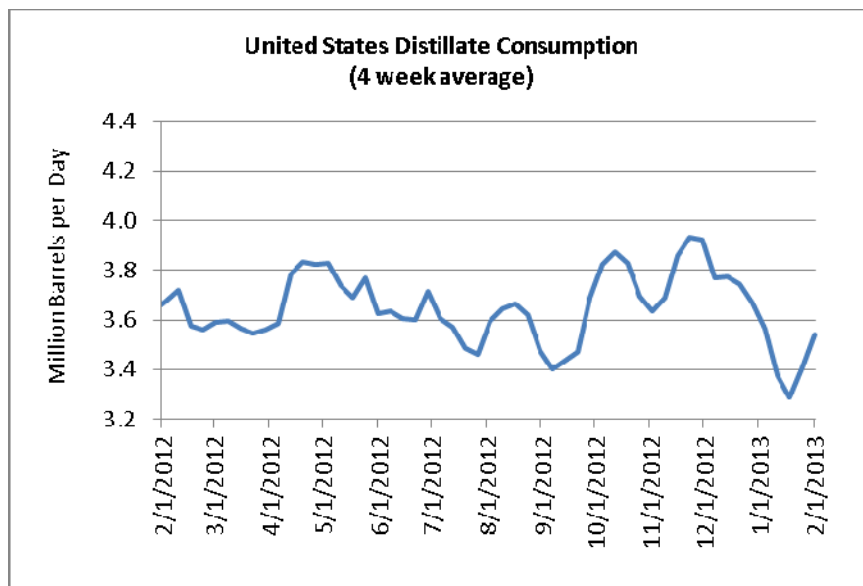
The average representative estimated cost of **fuel ethanol** to California refiners and marketers rose 1 cent to \$2.53 per gallon as of February 13, 2013.¹



The EIA's weekly report for the week ending February 8 shows the four-week average for gasoline consumption at 8.4 million gallons, up 1.0% from last month and 4.4% from this time last year.

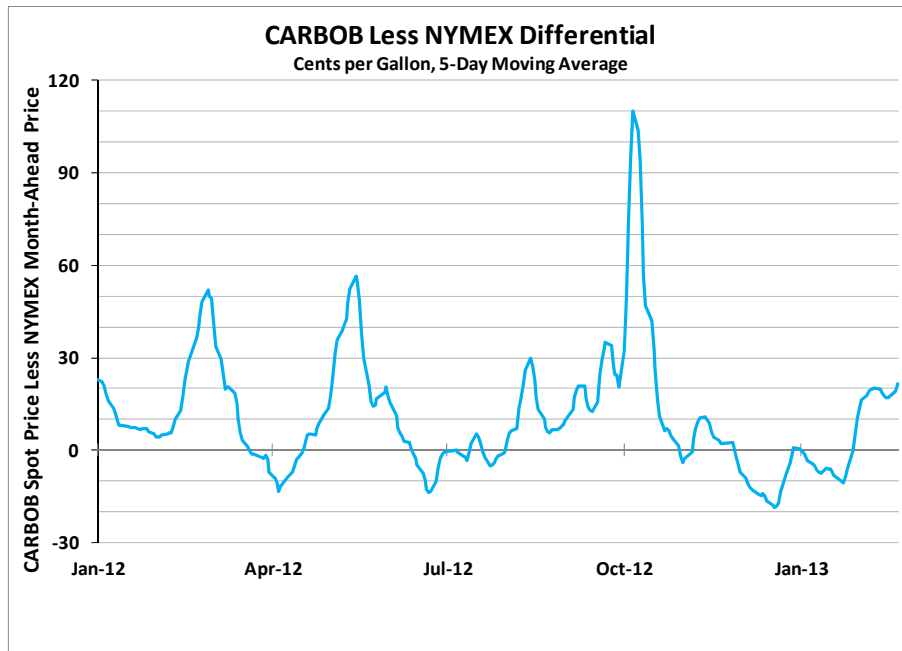


On the diesel side, EIA's weekly diesel consumption data saw a reversal of the downward trend seen since December with the 4-week average increasing 14.4% over last month to 3.6 million gallons. That said, consumption is still down 1.4% from this time last year.

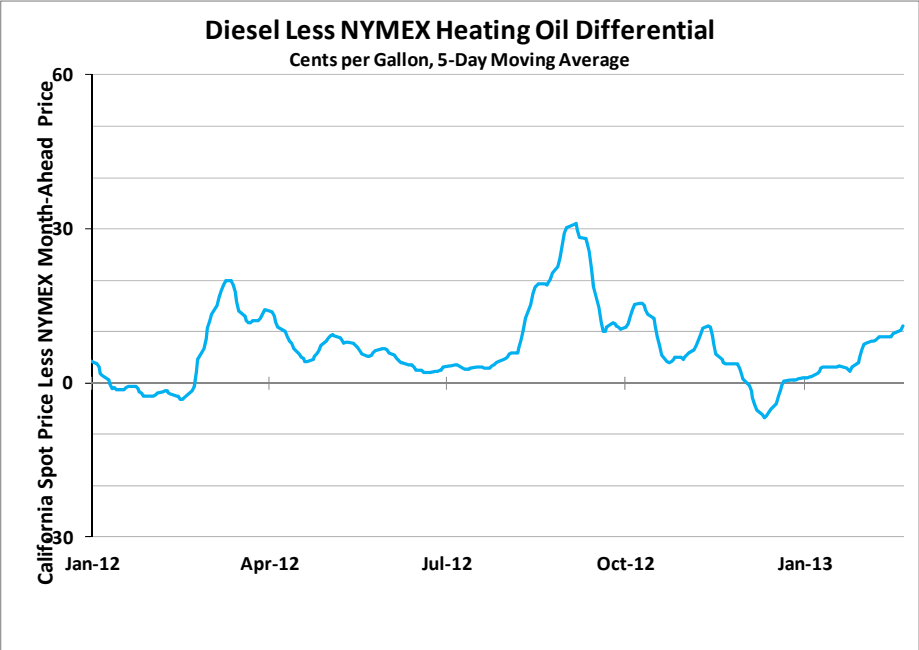


Futures-Spot Market Spread²

As of February 20, the spot market price for California gasoline was at a 22-cent premium to the New York Mercantile Exchange (NYMEX) one-month-ahead futures price, using five-day moving averages. California spot prices had been as much as 11 cents below this NYMEX benchmark in January, but moved sharply above it at the very end of the month. The transition to the more expensive summer blend has put upward pressure on California prices, but has not yet occurred in most of the nation.

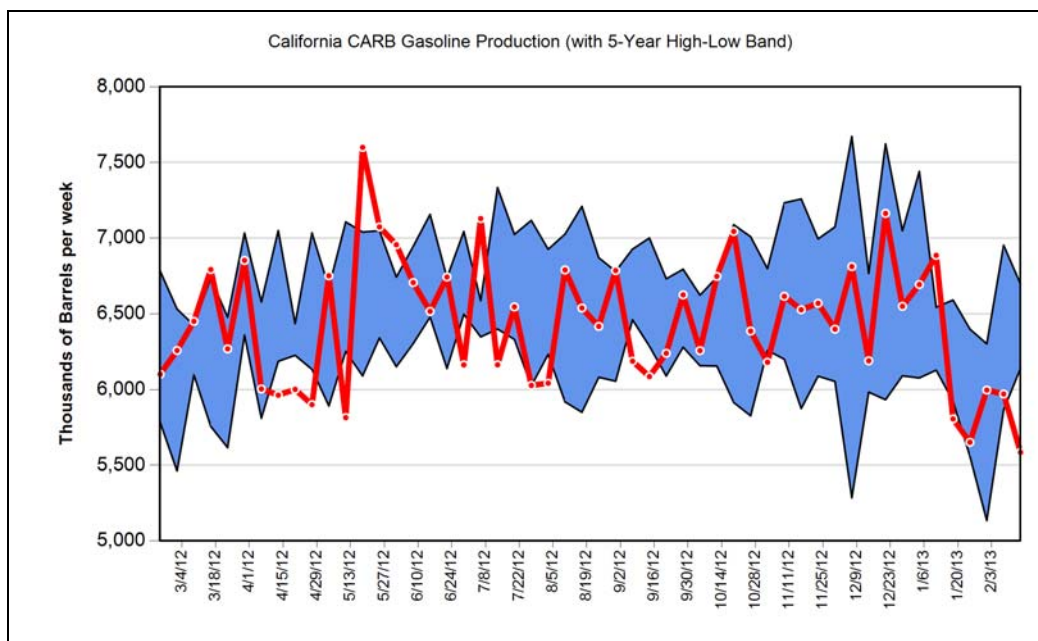


As of February 20, California spot diesel sold at an 11-cent premium to the NYMEX heating oil one-month-ahead futures price, using five-day moving averages. This is only slightly higher than the 8 cent average premium during the past year.

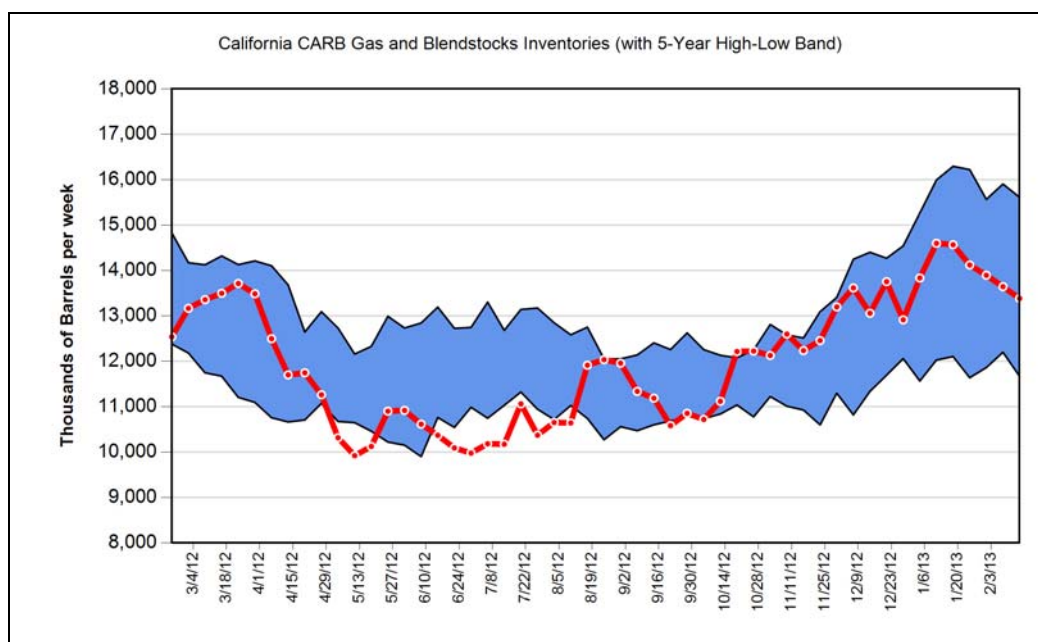


Refinery Production and Inventories

Reformulated gasoline production in California for the week ending February 15 decreased 6.5 percent from the previous week to 5.6 million barrels, falling below the bottom of the five-year range.³

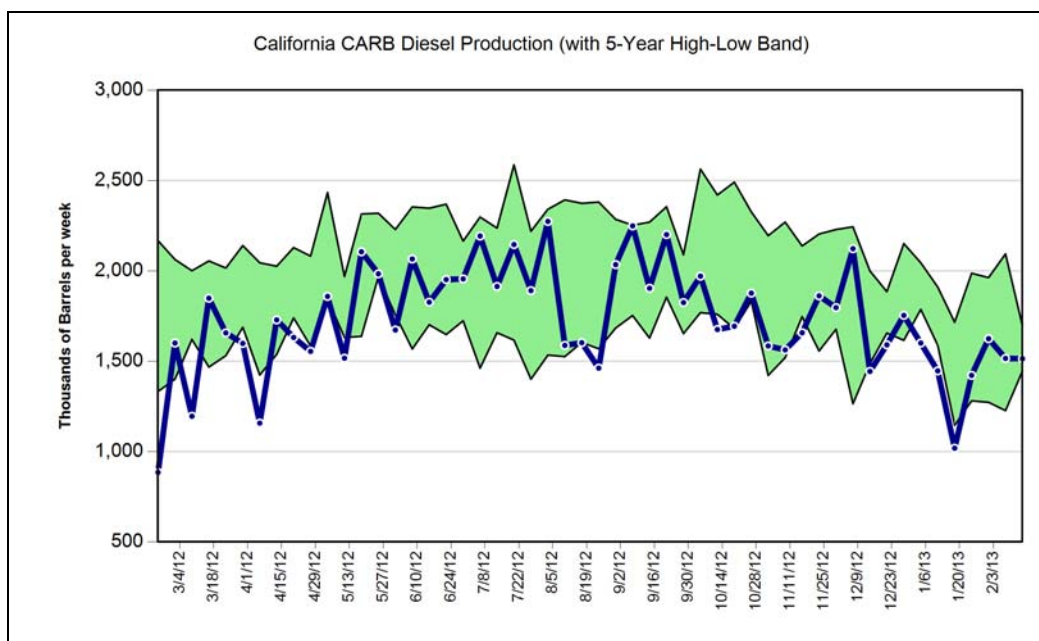


California **reformulated gasoline inventories** decreased 2.5 percent from the past week, while gasoline blendstock inventories decreased 1.3 percent. California's combined inventories of reformulated gasoline and gasoline blendstocks decreased 1.9 percent from the previous week to 13.4 million barrels.

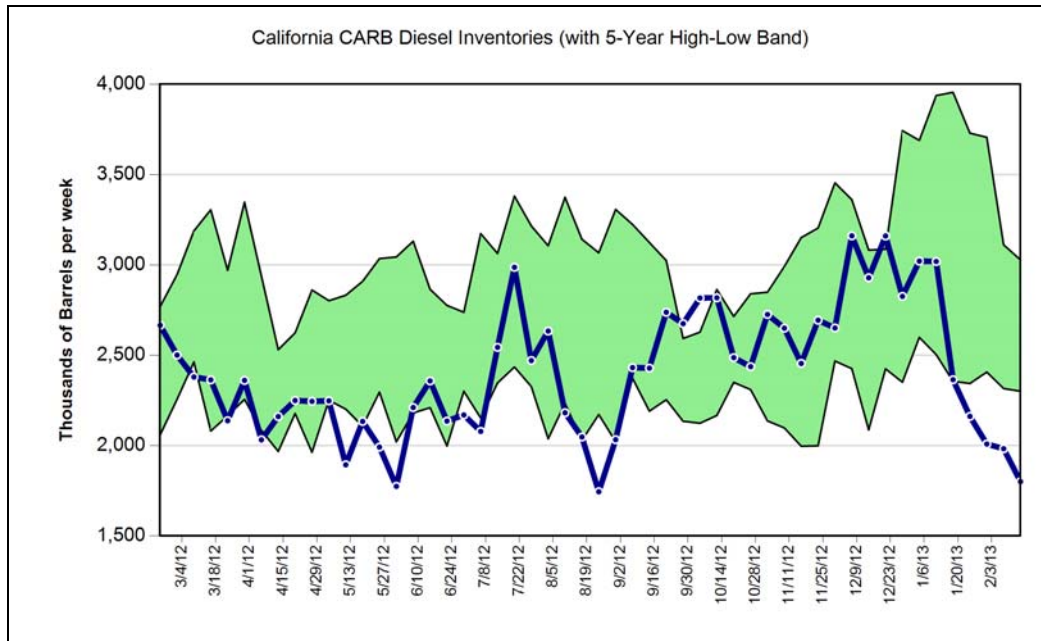


On the West Coast, gasoline inventories have fallen 2.5 million barrels from a month ago. On the Gulf coast inventories have decreased 3.8 million barrels while inventories have increased by 6.3 million barrels on the East Coast.

California-compliant **ultra-low-sulfur diesel fuel (CARB diesel) production**⁴ was 1.5 million barrels during the week ending February 15, a decrease of 0.1 percent from the previous week, falling to the bottom half of the five-year range.



Inventories of CARB diesel in California decreased 9.2 percent from the previous week to 1.8 million barrels, falling far below the five-year range. CARB diesel inventories are now near levels seen in August of last year.



On the West Coast distillate inventories decreased by 2.7 million barrels from a month ago and are 1.9 million barrels lower than this time last year. U.S. distillate inventories as of February 8 fell to 125.9 million barrels, 6.5 million barrels less than a month ago. Distillate inventories declined the most on the East Coast, where they fell by 5.0 million barrels.

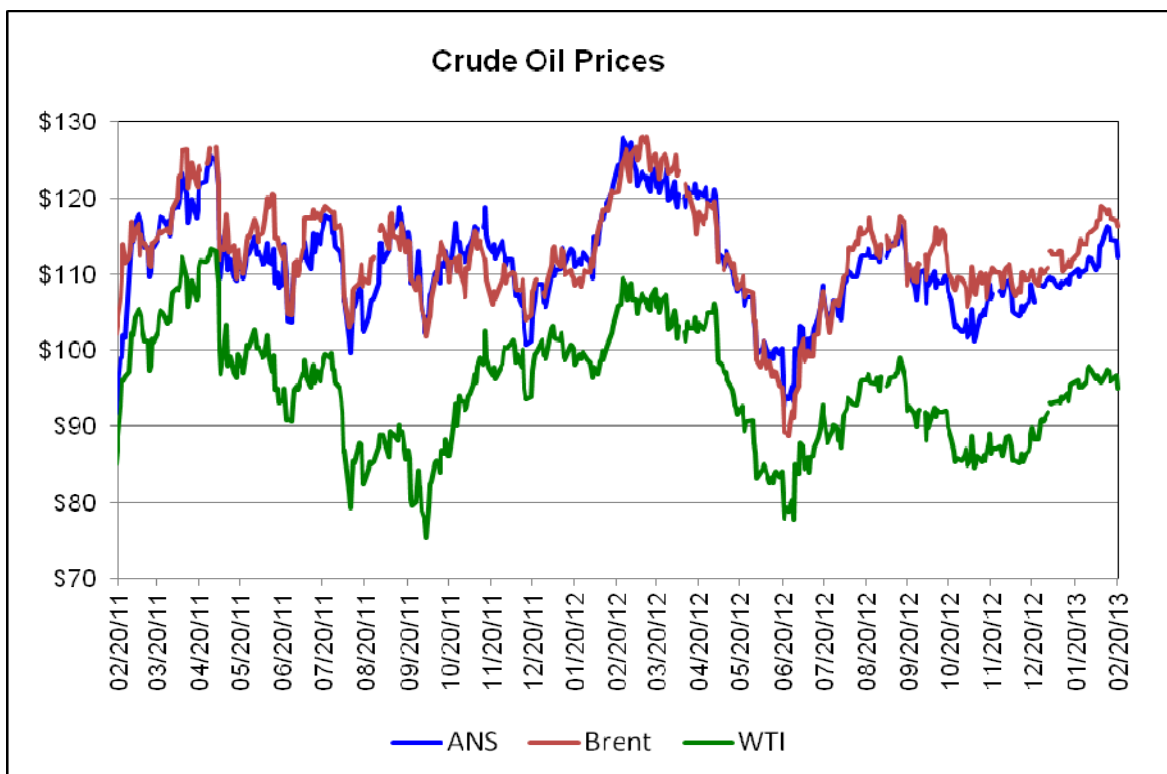
Crude Oil Prices and Associated Factors

The west coast spot price for ANS crude oil, a refinery feedstock for California, increased to \$112.21 as of February 20. The ANS crude price has increased \$3.60 since the previous Petroleum Watch and is \$12.22 less than a year ago.^{5 6}

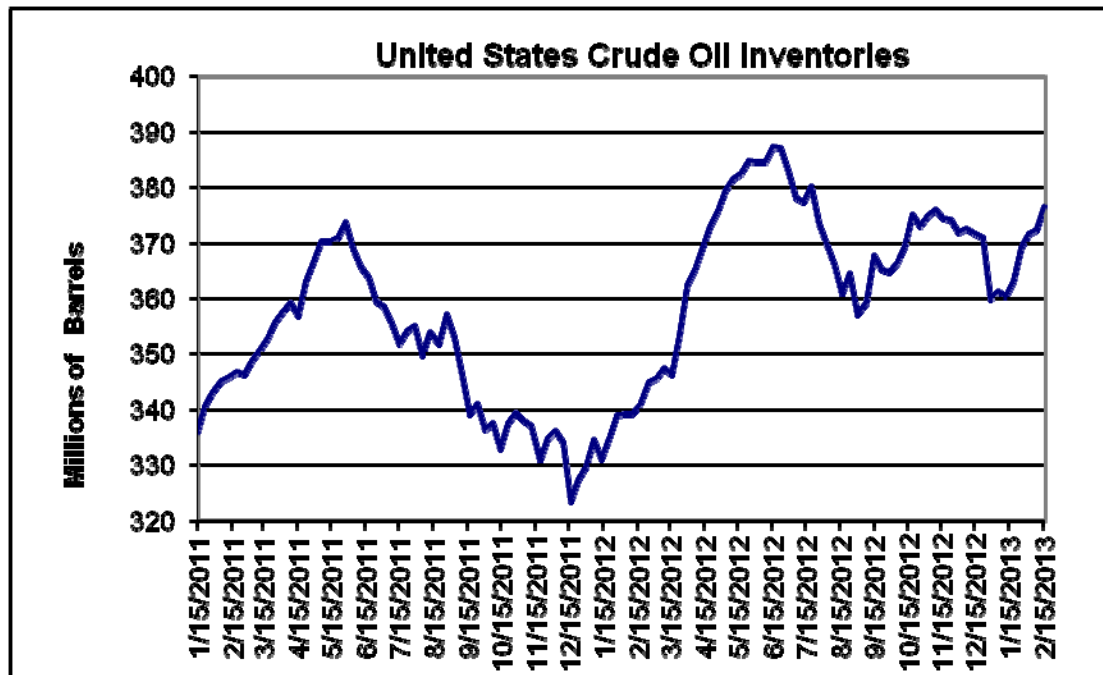
Recent Trends in Crude Oil Prices

	Jan-13	Feb-13	Change From Previous Month	Directional Contributing Factor		
				Upward	Downward	Unchanged
ANS Crude Oil Price (U.S. Dollars/Barrel)	\$108.61	\$112.21	Up 3.3%			
Europe Brent Crude Oil Price (U.S. Dollars/Barrel)	\$111.72	\$116.23	Up 4%			
West Texas Intermediate, Cushing Oil Price (U.S. Dollars/Barrel)	\$93.26	\$94.92	Up 1.8%			
U.S. Crude Oil Inventories (MM Barrels)	361.3	376.4	Up 4.2%		✓	
S&P 500	1,472	1,512	Up 2.7%	✓		
EURO STOXX 50 Price	2,634	2,634	Unchanged			✓
Total Dollar Index	80	82	Up 2.3%	✓		
Exchange rate: Dollars per Euro	1.3	1.3	Unchanged			✓
European Debt Problems						✓
Disruption in Oil Exports						✓

The spread between West Texas Intermediate crude oil prices and Brent crude oil has increased, averaging \$19.24 since the last *Petroleum Watch*, and is \$21.31 as of February 20, 2013. The West Texas Intermediate spot price closed at \$94.92 per barrel as of February 20, \$17.29 less than ANS crude oil.



U.S. crude oil inventories have steadily increased over the past month. As of February 15, U.S. commercial crude oil inventories increased by 16.1 million barrels from the previous month to 376.4 million barrels. Crude oil stocks are 35.7 million barrels higher than a year ago and 40.8 million barrels more than the five-year average for this date. California crude oil stocks fell 4.9 percent from the previous week to 15.3 million barrels and are 7.2 percent lower than a year ago.



¹ Ethanol railcar prices are from *Platts Oilgram* and are average prices for prompt Southern California shipments minus a 45¢/gal federal excise tax credit for 2009 through 2011 prices and a 51¢/gal federal excise tax credit for prices prior to 2009. The federal excise tax credit expired at the end of 2011. California alkylate prices are also calculated from *Platts Oilgram* and include a 20¢/gal transportation and distribution cost from Gulf Coast to California. Spot wholesale prices for regular-grade California reformulated gasoline blendstock for oxygenate blending (CARBOB) are from Oil Price Information Service.

² A higher spread between the state's spot fuel prices and the New York Mercantile Exchange (NYMEX) futures price indicates supplies are tighter in California, and a lower spread indicates the market is relatively well-supplied compared to the rest of the country. The NYMEX futures price reflects the national market, while California Reformulated Gasoline Blendstock for Oxygenate Blending (CARBOB) is a gasoline blend unique to California and is usually sold at a premium to the NYMEX.

³ California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

⁴ Staff has discontinued the reporting of combined CARB and EPA diesel production and inventories and will report only CARB diesel as of December 2009. EPA diesel is primarily for export from California.

⁵ Alaska North Slope (ANS) crude oil prices are from *The Wall Street Journal*. Brent and West Texas Intermediate (WTI) crude oil prices are from the Energy Information Administration.

⁶ ANS crude oil price changes are influenced by inventory levels, refinery capacity, domestic and international economic conditions, currency exchange rates, perceived risks to global supply such as unrest in the Middle East, and near-term price trends as indicated by the futures market for crude oil.